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WSJ: SEC Fines a Muni Bond Issuer for First Time; Underwriter Penalized.

The Securities and Exchange Commission handed out its first-ever financial penalty against a municipal-bond issuer, fining an agency that developed an ice-hockey arena in Washington state for misleading investors.

The SEC charged the Greater Wenatchee Regional Events Center Public Facilities District with allegedly failing to disclose certain financial projections for a new regional ice rink and events center.

The district–which was formed by nine cities and counties in Washington in 2006 to develop the project–agreed to settle the charges and pay a $20,000 fine.

The district borrowed $42 million in 2008 and defaulted on its principal payments in December 2011. The SEC said the district failed to disclose to investors that an independent consultant had questioned the viability of the events center. A lawyer for the events-center district could not be immediately reached.

While the fine is relatively small, it represents another step in the SEC's ongoing push to police the sale of municipal bonds.

The SEC also fined the underwriter of the bonds, Piper Jaffray PJC -1.88% & Co., $300,000 and its lead investment banker on the deal $25,000—steps the agency didn't take in other recent municipal cases brought against the state of Illinois and Harrisburg, Pa.

The settlement included Piper Jaffray, which under the terms must hire an independent consultant to review the firm's municipal underwriting due diligence policies and procedures.

A spokeswoman for Piper Jaffray could not immediately be reached for comment.

The development company that built the facility—called the Town Toyota Center—and its former CEO were each fined $10,000. The events district agreed to train its staff involved in municipal-bond deals.

In an interview, Mark Zehner, deputy chief of the SEC Enforcement Division's Municipal Securities and Public Pensions Unit, said many parties in the deal were negligent in preparing disclosures to investors.

"Municipal finance has a self perception of being a backwater and some people use that as an excuse for being sloppy," said Mr. Zehner. "The SEC is happy to go against sloppy, negligent conduct if need be."

In some municipal cases, the SEC has been reluctant to fine a government issuer because the penalties would ultimately be borne by taxpayers who are already paying the price of a shoddy bond

deal.

But in the case of the Wenatchee facility, the costs of the penalty will effectively be borne by users of the ice rink and events center, who chose to pay to attend hockey games and other events there.

All of the parties charged in the case settled without admitting or denying the SEC’s findings.

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